



Quiz

Shareholder Litigation and Indirect Market Causation

1. Why did the NSW Supreme Court decide that the separate proceedings commenced in the Federal Court should be transferred to the Supreme Court?
 - a. Because the Supreme Court proceedings were commenced first and were the furthest advanced
 - b. Because the Federal Court did not have jurisdiction to deal with all of the claims that had been raised in the Supreme Court proceedings
 - c. Because the NSW Supreme Court was the court that had wound up HIH and had supervisory jurisdiction over the liquidators
 - d. Because the NSW Supreme Court was the court that had convicted several of HIH's directors and it was appropriate that these proceedings be heard by that same court
2. Why was the strike out application successful against some 1600 plaintiffs?
 - a. Because the plaintiffs did not own shares in HIH at the relevant time
 - b. Because the claims of those plaintiffs were commenced out of time
 - c. Because the commencement of proceedings by the litigation funder involved was said to be improper

- d. Because the lawyers who commenced the proceedings on behalf of those shareholders lacked the authority to do so

3. How is causation established under indirect market-based causation theory?
 - a. By showing that shareholders purchased shares in a market that was inflated by reason of misleading or deceptive conduct or a breach of continuous disclosure obligations by the company
 - b. By showing that shareholders relied upon specific misleading or deceptive conduct or statements made by the company in purchasing their shares
 - c. By demonstrating that a following a correction by the company about a misstatement or misleading conduct, the share price of the company fell
 - d. Any of the above
4. How was evidence of the misleading conduct by HIH admitted in the proceedings?
 - a. Evidence of the findings of the Royal Commission was admitted
 - b. The liquidators gave evidence and made admissions about the relevant conduct
 - c. A Statement of Agreed Facts was agreed between the parties
 - d. A group of shareholders gave evidence about the relevant conduct and how they relied upon it
5. How were damages calculated?
 - a. Damages were based on the difference between the price at which the plaintiffs acquired the shares and the price at which they sold the shares
 - b. Damages were based on the difference between the price at which the plaintiffs acquired the shares and the price at which the shares would have traded but for the misleading conduct
 - c. Damages were based on the fall in the value of the shares after HIH had corrected the misleading conduct
 - d. Only punitive damages were award to account for the company's wrongdoing

Answers:

1. c 2. d 3. a 4. c 5. b